

MARKET RELEASE

SAFA's REVISED Funding Requirement for 2018-19

The 2018-19 South Australian Mid-Year Budget Review (MYBR) was presented by the Treasurer, the Hon. Rob Lucas MLC on 13 December 2018. The MYBR contains adjustments to projected revenues and expenditure over the current financial year and forward estimates.

A summary of the key General Government sector MYBR indicators are set out below:

	2018-19	2019-20	2020-21	2021-22
	\$'m	\$'m	\$'m	\$'m
Operating Statement				
<u>Net operating balance (\$m)</u>				
Budget	48	105	166	211
MYBR	40	95	96	189
Change since 2018-19 Budget	-8	-10	-70	-22
<u>Net lending (\$m)</u>				
Budget	-866	-714	-651	-928
MYBR	-676	-636	-744	-979
Change since 2018-19 Budget	190	78	-93	-51
Balance Sheet				
<u>Net debt (\$m)</u>				
Budget	6 288	7 076	7 749	8 651
MYBR	6 240	7 069	7 889	8 898
Change since 2018-19 Budget	-48	-7	140	247

The combined non-financial public sector (NFPS) net debt as at 30 June 2019 is expected to be \$14.182 billion, a \$102 million improvement since the 2018-19 Budget, which is primarily a result of a change in the timing of investing expenditure.

As a result, SAFA's 2018-19 gross financing task will be revised lower by \$100 million to \$3.8 billion.

SAFA is projecting the following updated indicative funding program:

Indicative REVISED Funding Program 2018-19 (\$'b)

Funding Requirements	Original	MYBR	Change
New Client Loans	1.4	1.3	-0.1
Select Line Refinancing	2.4	2.4	0.0
Short Term Funding*	2.0	2.0	0.0
Pre-Funding/Liquidity	0.1	0.1	0.0
Gross Funding Requirement	5.9	5.8	-0.1

*May include short dated AONIA FRN

SAFA’s funding strategy will continue to focus on Fixed and Floating Rate Select Lines and Short Term Commercial Paper. Currently, SAFA has no intention of issuing inflation-linked bonds in 2018-19 or accessing offshore term funding via an EMTN program.

The table below highlights SAFA’s projected outstandings by instrument type:

Instrument	13 Dec 2018	End June 2019 Projection	End June 2020 Projection
	\$'bn	\$'bn	\$'bn
Select Lines – Fixed & FRN	18.0	18.8	18.0
Short Term Funding	2.0	2.0	2.0
Total	20.0	20.8	20.0

To date SAFA has issued \$3.0 billion of the revised \$3.8 billion term financing requirement (including pre-funding/liquidity management) and will continue to engage its panel banks and investors and update markets via its regular monthly announcement of its issuance intentions.

During 2018-19, SAFA has already added a new \$1,000 million of a 3% 24 May 2028 in July with a further \$1,000 million added to this line in November, and \$500 million of the September 2022 and \$500 million of the July 2026 Fixed Rate Select Lines in September. The revision to SAFA’s 2018-19 requirement will see SAFA likely to only access once more during the year, with the potential for new 2030 Select Line to meet client funding requirements.

In recent times SAFA has consulted markets on its intention to focus issuance solely into the even calendar years moving forward in order to promote better liquidity in each Select Line. It is anticipated that the even year maturities will target outstandings of \$3 billion in each line (versus the previous target of \$2 billion), with new Select Lines also aligning maturity dates to mid/late May. SAFA will not be targeting to buy back the odd year Select Lines.

SAFA may also look to lengthen its maturity profile towards 15 years based on client borrowing demands in future years.

On 29 November, SAFA announced it would consult markets in mid-December regarding a potential AONIA FRN issue during 2019. SAFA will provide further updates in due course.

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